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Retail Food Sector Report for Sweden and Finland

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Report Highlights:

Strong economic growth in both Sweden and Finland and strengthened domestic demand for high-value consumer-ready products have laid a foundation for new marketing opportunities for U.S. exporters. The food retail sector in these markets is largely integrated and a few major import/wholesale groups cover over 70% of the markets. Hypermarkets and large supermarkets are increasing in volume and account for about 75% of total food retail sales. Products with the best prospects include wine, dried fruits and nuts, snack foods, rice, organic food, fruit juices, fresh fruits, sauces/seasonings, frozen food, seafood and petfood.

Includes PSD changes: No

Includes Trade Matrix: No

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SECTION I. MARKET SUMMARY

SWEDEN

The Swedish economy has improved significantly in recent years. In 1998, growth expanded by almost 3 percent. Growth for 1999 is tentatively placed at 3 percent and forecasts for 2000 stand at 3.5%. Domestic demand is expected to grow by 3.5% in 2000 and real household disposable income should increase by 4.3% in 2000.

Swedish food retail sales rose 1.7% to USD 21 billion in 1998. The increase in consumption, equivalent to USD 300 million, reflected a 1.2% rise in value, and a 0.5% gain in volume.

The wholesale and retail sectors in Sweden are largely integrated and concentrated. There are only a few major wholesale players in the food industry and they cover over 70% of the market. The general trends continue with discount stores, hypermarkets and large supermarkets increasing in volume and gaining larger and larger shares of the total retail food sales.

Food Retail Outlets, 1970-1998

	1970		1980		1990		1999	
Type of Outlet	No. of Outlets	Mkt Share %	No. of Outlets	Mkt Share %	No. of Outlets	Mkt Share %	No. of Outlets	Mkt Share %
Supermarkets (over 400 sqm)	800	30	1,550	57	1,860	66	2,000	75
Other food retail stores	12,200	70	7,450	43	5,840	34	4,500	25
Total	13,000	100	9,000	100	7,700	100	6,500	100

FINLAND

Finnish economy has been growing at 4-6% for several years. Growth came mainly from private consumption. In 1998, private consumption was up 4.5% and is forecasted to grow by 3.4% in 2000 and 3.2% in 2001. Consumer confidence remains high overall.

Employment has grown at steady pace, and so have real wages. Entry into the Economic and Monetary Union has at least so far given Finland low and stable interest rates, which has naturally boosted both consumption and new investment.

Food retail sales in Finland reached USD 11 billion in 1998. Sales volume increased by 2.0% and value by 3.7%.

The food market is very centralized in Finland. There are two dominant players in the wholesale and retail sector, the K-Group and the S-Group, with a market share of 38.2% and 26.3% respectively. Together with the other groups, Tradeka/Elanto (12.2%), Spar Group (10.5%), Wihuri (4.7%) and Stockmann/Sesto (2.9%) they dominate the food industry and cover 95% of the market.

In 1998, there were 4,678 retail outlets in Finland which was 136 fewer than a year earlier. Of this number, 4,026 were stores with full range of daily goods and the remainder were either speciality stores or market halls. Half of total sales were generated by the largest 390 stores. There were 75 stores with annual sales exceeding USD 19 million and they accounted for 19% of all sales. An increase of 3 percentage point over previous year.

Higher sales growth is seen in large supermarkets (10%) and hypermarkets (9.8%), whereas small shops of less than 200 sqm saw the biggest drop in sales.

Advantages	Challenges
Sophisticated markets. High acceptance of new products and concepts. U.S. products are considered high quality and trendy.	U.S. products at a price disadvantage compared to competitors based in the European Union.
Growing consumer demands of value-added products, convenience foods and functional foods. Proliferation of "healthy" and "greener" foods.	High distribution and shipping costs.
Favorable location gives access to a Nordic market comprising 25 million consumers spending about SEK 450 billion annually on food, beverages and meals out. Add the Baltic countries and the Baltic Sea Region has a total of some 100 million consumers.	Strong hesitations with respect to genetically modified products and hormone treated beef from the U.S.
High standard of living, well educated workforce, growing incomes.	High consumer awareness of food safety including production conditions, animal welfare, use of fertilizers and pesticides in plants.

The standard of living in Sweden and Finland continues to be high and indicators of consumer confidence are currently at an all time high, pointing to increased spending. The demand for consumer ready products will remain strong because of the very high proportion of two income families and relatively high per capita income. The ready meals area, for example, is demonstrating the highest consistent percentage growth for decades. Grocery stores are beginning to capitalize on this development and are starting to provide home meal replacements that consumer can collect and take

home. Sweden and Finland are following trends in other European countries by producing quality, yet lower-priced, in-house labels.

Another very important factor is the growing demand for "natural" (organic) and "healthy" food and drink products. The environmental or "green" philosophy that is a considerable factor in these markets, plays itself out in the food and beverage market with significant consumer awareness in the area of food safety and healthy eating habits. Consumers are willing and able to pay higher prices for food and drink products that fall into these categories. Also, functional foods continue to be popular in these markets. There are many functional food products either on the shelves or under development, especially in Finland, which has the potential of becoming the "silicon valley" of the functional foods industry.

Changes in lifestyle and the subsequent shift of emphasis in food consumption, such as convenience, are also having a significant effect on the catering sector of the market. About 20 percent of meals are currently eaten out of home. Fast food is the area benefitting most from these trends, and it is now starting to become part of the traditional restaurant sector.

Even though Internet sales of retail food products so far has had limited proportions and only "early adopters" are shopping online today, big changes are foreseen in the near future given the documented widespread acceptance of Internet grocery buying. Remarkably many consumers are attracted by the thought of doing their food purchases from a computer and according to a recent market research in Sweden, every fourth, or 28%, (age 16-74) see themselves as future Internet customers within a five year period of time. Among the younger age group (16-24), the share is 33% and among families with children as much as 39% like the opportunity. Today, every other Swede has Internet connections at home and almost 70% of families with children. Sales in Sweden on the Internet are forecast to approximate SEK 2.5 billion in 2000.

SECTION II. ROAD MAP FOR MARKET ENTRY

A. Supermarkets, hyper markets or super centers, club and warehouse outlets

Entry Strategy

To enter these markets successfully, long-term planning should be undertaken by the exporter. This includes learning the business cultures and commercial practices. Suppliers wanting to remain in the market must give high priority to increased market orientation in their activities.

Typically, to enter the Swedish or Finnish market the exporter contacts the importers/wholesalers directly. It is most important that the U.S. exporter work closely with the importer to make sure that the products destined for these markets are in full conformity with the country's food safety, quality and labeling rules and regulations. As stated above, these markets are dominated by a few import/wholesale/retail groups and therefore, U.S. exporters have a relatively easy job of locating potential buyers. However, for the same reason, it may be difficult to get in the door.

Swedish and Finnish importers receive a large number of business offers from around the world. Therefore, it is important to include all pertinent information in the first letter/fax. Importers do not usually bother to request additional information. It should be emphasized that Swedish and Finnish buyers want to know the price, terms and minimum quantities at an early state in business negotiations. The buyer usually expects high quality, good packaging and, above all, reliable delivery. A Swedish or Finnish buyer will expect total commitment to prompt deliveries, exact number of items and 100% quality for all kind of products. Being punctual is not only regarded as a sign of respect but also efficiency and Swedish and Finnish businessmen will have little understanding for cultural variations on this subject.

Good information about market requirements, standards and general potential can be obtained by placing a company visit in connection with a relevant trade fair. Participating in a food fair can be a very efficient way to get to know the market. The main food show in Sweden is the GastroNord show, where FAS/Stockholm is arranging U.S. pavilions. The next such event is September 2000. This is an excellent opportunity for U.S. exporters to meet with the trade.

Market Structure

SWEDEN

The general trend remains unchanged in Sweden with discount stores, hypermarkets and large supermarkets increasing in volume, while small and medium-sized stores lag behind. In 1998, one third of total retail food sales were generated by the 360 largest (at least 1,500 sqm) supermarkets/hypermarkets.

The big winners in the 90's are the "discount stores". In 1998 there were 300 discount stores in Sweden. The stores are usually large and located outside the city, have a low price profile, plain interior, limited service and firm low prices. In 1998, discount stores accounted for 11% of the total sales, compared to 3% in 1990.

Retail Food Sales by Type of Distribution in Percentage, 1970-1998

Type of Outlet	1970 %	1980 %	1990 %	1998 %
Department Stores	14	10	5	0.5
Convenience Stores	0.2	5	8	9
Discount Stores	0	0	3	11
Hypermarkets	2	3	6	8
"Real" grocery stores	61	57	56	53

FINLAND

Large supermarkets, hypermarkets and discount stores are increasing in volume and gaining larger and larger shares in Finland as well, but corner (convenience) groceries, mostly owned by the same conglomerates that own and operate the supermarkets, department and discount stores, remain popular with consumers.

In 1998, the highest sales growth was seen in large supermarkets (10%) and hypermarkets (9.8%). The number of stores with less than 400 sqm decreased by 152 and sales decreased by 1.6%.

Retail Food Sales by Type of Outlet, 1991-1998

Type of Outlet	1991 FIM million	1993 FIM million	1995 FIM million	1997 FIM million	1998 FIM million
Hypermarkets (>2,500 sqm)	4,471	5,854	7,774	9,897	10,778
Department Stores	5,011	4,284	3,987	4,339	4,402
Supermarkets, large (>1,000 sqm)	6,604	9,367	10,538	12,209	13,434
Supermarkets, small (400-999 sqm)	13,989	13,261	12,547	12,667	12,653
Self-service shops, large (200-400 sqm)	9,984	9,086	8,477	8,208	8,252
Self-service shops, small (100-200 sqm)	6,709	5,733	4,752	4,294	3,309
Small shops (< 100 sqm)	1,477	1,260	912	716	1,391
Special and market halls	889	934	884	903	939
Other	637	1,641	1,077	858	850
Total	50,666	51,418	50,948	53,796	56,008

Company Profiles**SWEDEN**

The wholesale and retail food market in Sweden is dominated by three groups, ICA, KF and the D&D Dagligvaror AB, accounting for 70 percent of the everyday commodity retail market. While the co-operation between the three groups differs slightly, there are both horizontal and vertical connections.

ICA is the largest of Sweden's food import/wholesale/retail operations with 2,125 stores. Each store is privately owned but they buy over half of their products from the regional ICA wholesale companies. ICA stores account for almost 35% of Sweden's retail food sales.

KF (Cooperative Movement) is Sweden's co-operative union and wholesale society and is the second largest retail organization after the ICA Group. KF is a fully integrated producer, importer, wholesaler and retailer of food and non-food items. Cooperative societies are the backbone of KF operations. These societies operate 1,332 retail food outlets and have about a 20% share of the market for food items. A merger between all the Nordic cooperatives is on the way and will include cooperatives in Sweden, Norway, Denmark and Finland. The formation of "Coop Norden AB" is deemed necessary in order for the cooperatives to be able to compete with the private trade.

D&D Dagligvaror AB, now the third largest after ICA and KF has 924 stores and has a market share of 15%. A merger between D&D and Hemkop (a large private food retailer) has recently been announced. The new organization will be one of the largest food retail operations in the Nordic countries.

Retailer/Type of Outlet	Ownership	Sales CY98 (SEK Million)	No. of Outlets	Location	Market Share
ICA-Handlarna -food retail/discount stores/gas marts/conv. -hypermarkets	Swedish	59,107 53,920 5,187	2,125 2,100 25	Nationwide	34.9 31.8 3.1
Konsum (KF) -food retail/discount stores/gas marts/conv. -hypermarkets -department stores	Swedish	32,717 22,716 8,956 1,045	1,324 1,249 57 18	Nationwide	19.3 13.4 5.3 0.6
D&D -food retail/convenience -discount stores	Swedish	25,393 15,773 9,620	924 795 129	Nationwide	15.0 9.3 5.7
Axel Johnson -food retail	Swedish	5,479 5,479	95	Nationwide	3.2 3.2
Bergendahls -food retail/discount stores -supermarkets	Swedish	3,482 1,776 1,706	86 65 21	Nationwide	2.1 1.1 1.0

FINLAND

A few central wholesale organizations, (K-Group, S-Group, Tradeka/Elanto, Spar Group, Wihuri and Stockmann/Sesto) together dominate the food industry with an aggregate market share of nearly 95% of the market. They also handle non-food products and specialties trading. Almost one third of the total wholesale trade in Finland goes through these wholesale organizations.

These chains have closely knit wholesale and retail arrangements comprising a compact and efficient goods delivery system and a nationwide network of retail shops as well as department stores and supermarkets. They also have hotel and restaurant chains and catering services. The centralized system makes distribution economical and purchases from abroad can be made in feasible quantities considering the relatively small size of the market.

KESKO is the leading wholesale/retail company in Finland. It consists of the parent company Kesko Ltd. and its subsidiaries. Its members are private retail merchants who buy most of their products from the Kesko wholesale organization. The total sales of the Kesko-affiliated retailers accounted for 38.2% of retail food sales in Finland in 1998. The K-Group operates about 1,300 outlets (Citymarkets, K-markets, Rimi chains).

S-GROUP

The S-Group and Tradeka/Elanto Group represents the cooperative movement in Finland. The S-Group consists of the cooperative societies and SOK with their subsidiaries. The Group operates 23 Citysokos department stores, 272 S-Market supermarkets, 33 Prisma hypermarkets, over 200 Sale and Alepa grocery stores, 255 hotels and restaurants, 127 service stations, 145 hardware and agricultural stores as well as several specialty stores. The S-Group's grocery store chains, Prisma, S-market and Sale/Alepa have during the last years been extremely successful which has resulted in a market share increase from 15.9% in 1990 to 26.7% in 1998.

The other groups are considerably smaller, Tradeka/Elanto ranks third with a market share of 12.2%, Spar Group 10.5%, Wihuri 4.7% and Stockmann/Sesto 2.9%.

Retailer/Type of Outlet	Ownership	Sales CY98 FIM Million	No. of Outlets	Location	Market Share	Purchasing / Agent Type
Kesko (K-Group) - hypermarkets - department stores - supermarkets - self-service - small shops	Finnish	21,427	1,316 41 30 394 636 214	Nationwide	38.2	Direct/ importer/ wholesaler
S-Group - hypermarkets - department stores - supermarkets - self-service - small shops	Finnish	14,729	596 33 22 257 255 29	Nationwide	26.3	Importer/ wholesaler

Tradeka/Elanto - hypermarkets - department stores - supermarkets - self-service - small shops	Finnish	6,836	618 14 10 96 438 60	Nationwide	12.2	Importer/ wholesaler
Spar Group - supermarkets - self-service - small shops	Swedish	5,861	353 206 143 4	Nationwide	10.5	Importer/ wholesaler
Wihuri - department stores - supermarkets - self-service - small shops	Finnish	2,660	677 2 65 304 305	Nationwide	4.7	Importer/ wholesaler
Stockmann/Sesto - department stores - supermarkets - self-service	Finnish	1,606	23 5 15 3	Larger cities	2.9	Importer/ wholesaler

B. Convenience Stores, Gas Marts, Kiosks

Entry Strategy

The convenience sector offers more limited opportunities for the U.S. exporter. However, many of the convenience stores belong to established retail chains and the same large wholesalers/retailers are suppliers to the convenience sector.

Gas marts are often affiliated with gasoline companies or with the large distribution groups. They operate like convenience stores: central buying offices reference their products which are then distributed through warehouse and distribution centers.

For new to market exporter this sector should be targeted following the same pattern as described above regarding supermarkets.

Market Structure

In Sweden, sales of grocery products in convenience stores, gas marts and kiosks increased from USD 4.4 billion in 1998 to 5.3 billion in 1999, an increase of 20.6%. In Finland, sales of grocery products in this sector reached USD 2.2 billion in 1998.

The small convenience stores have been declining in recent years. In Sweden, total sales of grocery products in convenience stores were USD 600 million in 1998, a decrease of almost 8% compared to

1997. Where they once gained popularity and sales by flexible opening hours, this is slowly decreasing as more and more of the major supermarkets operate long hours.

Another explanation is the tough competition from gas marts with convenient locations for car owners who do their complementary shopping while stopping for gas. Gas marts are, in some aspects, replacing the neighborhood grocery stores. During 1992-1996 sales in gas marts in Finland increased by 45%, while at the same time sales in small grocery stores decreased by 27%. In 1998, total sales of grocery products in gas marts in Finland reached USD 412 million. In Sweden, total sales of grocery products in gas marts were USD 1.3 billion in 1998, an increase of 18.2%.

Kiosks offer limited items such as snacks, sweets, cigarettes and magazines. The number of kiosks is decreasing due to upgrading within the sector and the strong impact of gas marts.

A Nordic concentration and integration can be seen in the convenience sector. Small Shops Sweden, the largest player in the convenience store sector in Sweden, (includes chains such as 7-Eleven and Pressbyran) was recently bought by the Norwegian company Narvesen. This as well as Narvesen's engagement in the Baltics can be seen as a the first step of a North European integration. The cooperation could include such as consolidated purchases, marketing and IT solutions.

Retailer Name/ Outlet Type	Ownership	1998 Sales (US\$ million)	No. of Outlets	Location	Purchasing Agent Type
Statoil, gas mart	Norwegian/ Swedish	476	498	Nationwide	Wholesaler/ importer
Shell, gas mart	Swedish	332	400	Nationwide	Wholesaler/ importer
OK, gas mart	Swedish	172	252	Nationwide	Wholesaler/ importer
Q8, gas mart	Swedish	124	230	Nationwide	Wholesaler/ importer
Preem, gas mart	Saudi/Swedish	112	161	Nationwide	Wholesaler/ importer
Pressbyran, convenience	Norwegian	214	330	Nationwide	Wholesaler/ importer
Ica Serv.butik, convenience	Swedish	102	106	Nationwide	Wholesaler/ importer
Handlar'n, convenience	Swedish	74	115	Nationwide	Wholesaler/ importer
Jour Livs, convenience	Swedish	66	125	Nationwide	Wholesaler/ importer
Matbutiken, convenience	Swedish	44	55	Nationwide	Wholesaler/ importer

7-Eleven, convenience	Norwegian	44	46	Stockholm/ Gothenburg	Wholesaler/ importer
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In Finland, the three largest gas marts (Neste, Esso and Shell) accounted for about 85% of total sales of grocery products in 1997. These companies operate their shops under certain names which are Quick Shop for Neste, Snack & Shop for Esso and Select for Shell.

Gas Marts	No. of Outlets 1998	Market Share of grocery sales 1997
Neste	449	34.7%
Shell	321	24.8%
Esso	249	25.7%
Teboil	218	11.1%
Seo	66	2.7%
Other	66	1.0%
Total	1,369	100%

C. Traditional Markets - Small Independent Grocery Stores

The small "corner" grocery stores are in permanent decline and offer limited possibilities for the U.S. exporters. Small "gourmet food" stores located in larger cities sometimes carry a wide range of imported products, but they tend to buy in very small quantities.

SECTION III. COMPETITION

The EU is the main competitor to U.S. consumer oriented food imports. EU origin products have a natural advantage in many product areas simply because they enter Sweden and Finland duty free while American exporters have to face EU's external duty/tariff structure.

A. Sweden's Imports of Consumer -Oriented Ag Products in 1998

Country	Import 1998 (\$1,000)	Market Share
Netherlands	603,665	19%

Denmark	553,013	17%
Germany	307,825	10%
Spain	211,747	7%
France	187,421	6%
Italy	185,922	6%
United Kingdom	127,711	4%
Finland	109,505	3%
United States	106,163	3%
Belgium	106,138	3%
Other	673,554	21%
World	3,172,641	100%

B. Finland's Imports of Consumer -Oriented Ag Products in 1998

Country	Import 1998 (\$1,000)	Market Share
Sweden	228,476	16%
Netherlands	154,802	11%
Denmark	146,901	10%
France	130,403	9%
Spain	117,490	8%
Germany	114,956	8%
Italy	52,254	4%
United Kingdom	51,349	4%
United States	43,443	3%
Belgium	34,102	2%
Other	336,018	24%
World	1,410,245	100%

IV. BEST PRODUCT PROSPECTS

A. Products Present in the Markets Which Have Good Sales Potential

- Wine
- Tree Nuts
- Dried Fruits
- Rice
- Snack Foods
- Fruit Juices
- Sauces/Seasonings
- Pet Food

B. Products Not Present in Significant Quantities but Which Have Good Sales Potential

- Fresh Fruits and Vegetables
- Organic Food
- Seafood Products
- Niche market; Specialty Food Products
- Frozen food

C. Products Not Present Because they Face Significant Barriers

- Meat (hormone ban)
- Poultry (phytosanitary)

V. POST CONTACT AND FURTHER INFORMATION

Foreign Agricultural Service
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Dag Hammarskjolds Vag 31
S-115 89 STOCKHOLM
Sweden
Tel: (46-8) 783 5390
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For further information on exporting U.S. agricultural products to Sweden, please visit the FAS/Stockholm home page at: <http://www.usemb.se/Agriculture>.

Average exchange rate in 1998 in Sweden: US\$ 1 = SEK 7.95

Average exchange rate in 1998 in Finland: US\$ 1 = FIM 5.3415